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CONFLICT ASSESSMENT: EAST TIMOR

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Final Report

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The views and recommendations expressed in this report are solely those of the MSI Assessment Team and are not necessarily those of USAID or the U.S. Government.

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ACRONYMS AND ABBREVIATIONS

BPU	Border Patrol Unit of the PNTL
CAVR	Comissão de Acolhimento, Verdade e Reconciliação (Commission for Reception, Truth and Reconciliation)
CNRT	National Council of Timorese Resistance
CPD-RDTL	Popular Council for the Defense of the Democratic Republic of Timor-Leste
CMM	Office of Conflict Management and Mitigation of USAID
CSO	Civil Society Organization
DCHA	Bureau of Democracy, Conflict and Humanitarian Assistance
DG	Democracy and Governance
ETSG	East Timor Study Group
FRETILIN	Revolutionary Front of Independent Timor-Leste
MOJ	Ministry of Justice
NGO	Non Governmental Organization
PM	Prime Minister
PNTL	National Police of Timor-Leste
POLRI	(National) Police of the Republic of Indonesia
RDTL	Republica Democratica de Timor-Leste
T-L	Timor-Leste
TNI	Indonesian National Armed Forces
UN	United Nations
UNAMET	United Nations Mission for East Timor
UNDP	United Nations Development Programme
UNMISSET	United Nations Mission to Support East Timor
UNTAET	United Nations Transitional Administration in East Timor
USAID	United States Agency for International Development

EXECUTIVE SUMMARY

The Timor-Leste Conflict Vulnerability Assessment (CVA) was undertaken in February and March 2004 to provide recommendations regarding USAID's support to the country over the next ten years. The approach used in carrying out this assessment and presenting the findings strongly reflects the (draft) Conflict Assessment Framework prepared by the Office of Conflict Management and Mitigation (CMM) in USAID.

Timor-Leste has undergone tremendous political upheaval and change in recent years. Following hundreds of years of Portuguese colonial rule, the country was invaded by Indonesia and occupied illegally for twenty-five years ending in late 1999. Throughout the Indonesian occupation, the Timorese fought tirelessly for independence through a grueling guerrilla-based armed resistance coupled with a coordinated international lobbying campaign. The Indonesian occupation was brutal and extremely violent. Against tremendous odds, the people of Timor-Leste achieved the opportunity to express their collective will at the ballot box through a UN administered referendum in 1999. The result was an overwhelming vote for independence. Immediately following the announcement of the referendum results, however, the country suffered a number of weeks of horrendous violence and destruction that was orchestrated by pro-integrationist militia and the Indonesian armed forces. The violence was ended through the intervention of an international military force on 20 September 1999, and the exodus of the Indonesians. The destruction and violence was accompanied by massive internal population displacement, hundreds of thousands of refugees fleeing or being forcibly removed to West Timor and other parts of Indonesia, the decimation of the country's infrastructure and massive destruction the country's housing stock. From this starting point, Timor-Leste underwent a two-year transitional period under the auspices of the UN to prepare itself for independence. In May 2002, the country became the newest nation and the newest democracy in the world. The country is now in a process of nation building as it establishes and consolidates key elements of democratic governance.

Within this context, a wide range of complex and interconnecting issues have been analyzed under four analytic categories – 'Incentives of and Sources for Violence', 'Access to Conflict Resources', 'Institutional Capacity and Response' and 'Windows of Vulnerability' – in order to 'diagnose' the country's vulnerability to future conflict.

In terms of 'Incentives of and Sources for Violence', economic causes - especially poverty and unemployment - coupled with limited delivery of public services represent critical issues that could cause conflict and violence. Demographic dynamics indicate a country with an extremely young population, with a large number of unemployed young males that are easily incited to violence, and with thousands of refugees and militia members located over the border in West Timor. Growing small-scale black market activity marks the border zone and some illegal crossings are taking place mostly for purposes related to local daily life. Ethnic and religious divisions are not particularly serious because the Timorese are a generally unified people who

have achieved a common victory against an outside occupier who has left the country. Although language tensions exist between an older Portuguese-speaking generation that is numerically small and a younger-Indonesian speaking generation that is numerically significantly larger – largely because the current political leadership comes from the former group – this is not likely to be source of destabilizing conflict or violence because it is generally understood as an unfortunate and challenging part of reality that is understandable given the country's history (and therefore not worth fighting over). Politically, tensions exist because power is concentrated in a small group of people within the majority FRETILIN party who have tight control over Cabinet and Parliament and, moreover, key members of this group are accused of being 'out of touch' with the majority population as a function of their having been outside of Timor-Leste during the twenty-five years of Indonesian occupation. Historical political rivalries also exist regarding a number of key individuals in the country. As one offshoot of this, various disaffected groups have been and likely will continue to coordinate campaigns mobilizing segments of the population against the government and the FRETILIN party (see below). Although other relevant issues were canvassed including some environmental and natural resource issues, land and property matters warrant mention for their potential in sparking conflict. Significant revenues from oil and gas production will come online in the coming years and could be an issue of conflict although current plans suggest they will be handled in a transparent and accountable manner.

In terms of 'Access to Conflict Resources', the disaffected groups mentioned above represent the most significant organizational resource to foment and channel frustration and discontent toward the government in a coordinated way. The disaffected groups are accused of having access to financial resources through various possible channels such as Indonesian connections or illegal activities, although no evidence was encountered to confirm the existence and/or extent of this. In terms of human resources, these groups typically mobilize unemployed youth, disenchanted ex-combatants/veterans and marginalized rural poor. The main disaffected groups in the country include CPD-RDTL, Colimau 2000, Sagrada Familia and Osnaco (each is described in Annex C). Martial arts clubs are prevalent in the country and have been used as an organizational vehicle to mobilize young males to incite and/or contribute to violence. There are 1,500-2,000 militia in West Timor including a few key leaders who could gain access to financial resources from within Indonesia to support a campaign of border incursions; this is an issue of concern but no concrete evidence exists that this support is taking place at the moment. Allegedly, one militia leader in West Timor has been establishing contacts for personal gain with ex-TNI, organized crime and political candidates; there has been no suggestion this is for militia-related ends. There is very limited access to guns in Timor-Leste because very few exist in the country since 1999.

Regarding 'Institutional Capacity and Response', a central theme is that the governing regime is very legitimate in the eyes of the people because the Timorese have a sense that they are running their own show for the first time history. The President is exceptionally popular and is strongly focused on building dialogue and reconciliation. The FRETILIN party holds the legitimacy of having led the independence movement through the Indonesian occupation. Even though things are far from perfect, people generally believe in their new democracy and its institutions. Civil society capacities related to conflict resolution and dialogue building exist within in the Catholic Church and certain NGOs, and informal community-level dispute resolution systems operate through most of the country. Policy matters that potentially promote some degree of exclusion

include various issues related to language and a pattern of government patronage appointments within the civil service. Initiatives regarding recognition of ex-combatants and veterans have been doing a good job recently of diminishing frustrations. Planned village (Suco) elections could help link local governance to the central state in a way that would help ensure local concerns are less neglected. In terms of the rule of law, civil and political freedoms are generally well respected, there are important gaps and weaknesses in the country's legislative regime, the formal justice system is not yet functioning properly and the informal community-based dispute resolution systems are not linked into the formal justice system. The military and police are weak and problematic although, in general, they should be able to manage – albeit imperfectly – the kinds of conflict and tensions that are likely to arise in the coming years. Tensions exist between the two security forces. The police are a source of particular concern because they are increasingly heavy-handed, allegedly subject to potential manipulation and worries are prevalent in the international community regarding a new Special Police Unit that will be issued heavy arms. Import taxes on locally consumed goods seem to, in part, encourage localized black market activity in the border zone.

The two most significant potential trigger events – or ‘Windows of Vulnerability’ - include the withdrawal of the UN, especially the UN Peacekeepers, and any police mishandling of situations and/or heavy handedness.

Based on the information above, three specific “conflict scenarios” are developed to depict the kinds of conflict that could occur in Timor-Leste over the coming years; the likelihood of these occurring is estimated. Thumbnail descriptions of each scenario are as follows:

Conflict Scenario 1: Border Incursions from Militia in West Timor. This scenario is estimated to have a high risk of sparking limited localized conflict, and a low risk of sparking widespread destabilizing conflict. The incursions are most likely following the departure of UN Peacekeepers from the border region. This scenario only becomes very serious if there is significant and ongoing financial support provided to the militia from outside sources, which is not probable but within the realm of possible.

Conflict Scenario 2: Coordinated Internal Mobilization by Disaffected Groups. This scenario has a high risk of sparking limited localized conflict, and a low risk of sparking widespread destabilizing conflict. Under this scenario, the disaffected groups (mentioned above) mobilize segments of the population (unemployed youth, mainly young men; marginalized, and often illiterate, rural poor; and ex-combatants/veterans) to express their discontent toward the government in order to cause political instability. Misinformation, innuendo and rumor are part of a strategy that is opportunistic and can focus on any number of issues. This scenario will likely intensify with the withdrawal of the UN Peacekeepers and could be inflamed by police heavy-handedness or government over-reaction.

Conflict Scenario 3: Localized and Sporadic Outbursts of Violence in: a) Rural Areas; and b) Dili. This scenario carries a high risk of sparking limited localized conflict, and a low risk of sparking widespread destabilizing conflict. The pattern will play itself out in rural or urban areas around a range of possible issues, as it has in the past. Poor people will generally be involved, and young males will likely be active in any violence. Individual elites operating

behind the scenes will often coordinate incidents to further personal ends. Martial arts clubs could be pulled into the picture. This scenario gets worse if the National Police are heavy-handed or mismanage a situation. In rural areas, these outbursts should remain more localized. In the capital city of Dili, these outbursts are potentially much more serious and could escalate into significant violence, looting and destruction of property.

Key Conclusions

- From a conflict vulnerability perspective, Timor-Leste's situation has some advantages including: a small and unified population that achieved victory against a common enemy; an exceptional President who prioritizes unity and reconciliation; and a careful leadership in government that, in many ways, seems to be taking sensible steps forward in a cautious manner. All is not perfect, but things are pretty good given what the country has been through and its inherent limitations.
- Widespread destabilizing conflict is not likely, but localized violent outbursts/conflicts are inevitable.
- The most significant root cause of conflict relates to the mix of poverty, unemployment and limited access to basic services (coupled with high expectations following independence).
- Addressing the root causes of conflict (above) – even minimally – will dramatically undercut the potential of disaffected groups to mobilize segments of the population to be involved in conflict activities.
- Some key actors include:

The segments of society most easily mobilized to participate in conflict include: unemployed youth, particularly young men; veterans and ex-combatants; as well as marginalized, and often illiterate, rural poor.

Various disaffected groups will try to mobilize the segments of society listed above, in order to direct frustration toward government. These groups include CPD-RDTL, Colimau 2000, Sagrada Familia and Osnaco (see Annex C for details).

Martial arts clubs can be manipulated as vehicles to get their members (i.e., young males) involved in violence and conflict.

Individual/elites vying for power or with historical grudges often manipulate conflict situations from behind the scenes.

- National security forces should be able to manage conflict in the country, albeit imperfectly.

- Some concerns regarding the two security forces include the tensions that exist between them, police heavy-handedness, and plans to equip a new Special Police Unit with heavy arms.
- The formal justice system is not functioning properly.
- The two most significant potential trigger events include the withdrawal of the UN Peacekeepers, and police heavy-handedness or mishandling of situations.
- From a conflict management perspective, the border zone warrants attention.

Key Recommendations

In very general terms, the recommendations are summarized below. At the level of a general strategic approach, two recommendations are proposed:

- Apply a dialogue building and conflict prevention approach as a cross-cutting theme.
- Prioritize districts most vulnerable to conflict as a function of their economic situation (i.e., the border zone districts of Oecussi, Covalima, Bobonaro and Ermera).

The programmatic recommendations regarding Economic Growth are noted below. Many of these are intended to address the underlying economic root causes of poverty in Timor-Leste (i.e., poverty and unemployment).

- Prioritize subsistence production and food security by increasing productivity, as a means addressing underlying root causes of conflict.
- Promote financial services for the rural and urban poor (through micro-financing including micro-credit), as a means of addressing underlying root causes of conflict.
- Prioritize vocational skills training and link this to post-training activities such as self-employment, working as an employee or using the new skills to improve subsistence level food production.
- Increase market opportunities and improve market linkages for domestic consumption of locally grown agricultural products, as means of addressing underlying root causes of conflict.
- Expand export crop and other income generating agricultural practices where feasible (i.e., coffee), and promote sustainable agricultural practices.
- Promote a 'border regime' to control border activities and promote cross-border cooperation with local communities and relevant security forces (i.e., weekly traditional markets at all border crossings, day passes to facilitate local crossings for routine activities, and a review of import taxes on common goods).

- Promote ongoing development of relevant land law and policy.

The programmatic recommendations regarding Democracy and Governance include:

- Promote and strengthen dialogue regarding key issues, key actors or important initiatives. Details are in the main text, but ideas include:
 - o Ongoing support to the President's Program of National Dialogue;
 - o Dialogue between the two security forces (police and military);
 - o Dialogue between the martial arts clubs;
 - o Dialogue between the main actors involved in the justice sector (the judges; the Government, especially the Ministry of Justice; the Prosecutors and the Public Defenders);
 - o Dialogue between CPD-RDTL leadership and the heads of government (including the Prime Minister, the Speaker of Parliament and the President); and
 - o Dialogue within or perhaps between political parties.
- Support establishment of a government information office to improve access to information and thereby limit the impact of strategies that use misinformation, innuendo and rumor as a key tactic.
- Support potential mediators and facilitator through capacity building of individuals and organizations with relevant experience.
- Support ongoing initiatives to recognize veterans and ex-combatants, and consider initiatives to recognize members of the clandestine movement.
- Strengthen the formal justice system (as addressed in the Democracy and Governance Assessment) and promote links between the formal and informal justice systems.
- Support regarding local governance may be appropriate once the details are clearer regarding the new mechanisms that will result from the upcoming village (Suco) elections.
- Consider strengthening civil society's ability to provide effective civilian oversight of the country's security forces (police and military).

The following programmatic recommendation is proposed regarding Health:

- Support provision of basic health services as a means of addressing the underlying causes of conflict that relate to limited service delivery and the conditions of poverty.

1. INTRODUCTION

The purpose of this report is to present the findings of the Timor-Leste Conflict Vulnerability Assessment (CVA) undertaken in February and March 2004, and to provide recommendations regarding USAID's support to the country over the next ten years. As required under the Scope of Work, a desk study was completed and a five-person team of experts spent three weeks in the country speaking with key actors and experts about a range of conflict issues.

The organization of this report reflects the (draft) Conflict Assessment Framework prepared by the Office of Conflict Management and Mitigation (CMM) in USAID. This framework guided the approach used by the CVA team.

To put the report in context, it is important to understand that Timor-Leste has undergone tremendous political upheaval and change in recent years. Following hundreds of years of Portuguese colonial rule, the country was invaded by Indonesia and occupied illegally during twenty-five years ending in late 1999. Throughout the Indonesian occupation, the Timorese fought tirelessly for independence through a grueling guerrilla-based armed resistance coupled with a coordinated international lobbying campaign. The Indonesian occupation was brutal and extremely violent. Against tremendous odds, the people of Timor-Leste achieved the opportunity to express their collective will at the ballot box through a UN administered referendum in 1999. The result was an overwhelming vote for independence. Immediately following announcement of the referendum results, however, the country suffered a number of weeks of horrendous violence and destruction that was orchestrated by pro-integrationist militia and the Indonesian armed forces. The violence was ended through the intervention of an international military force on 20 September 1999, and the exodus of the Indonesians. The destruction and violence was accompanied by massive internal population displacement, hundreds of thousands of refugees fleeing or being forcibly removed to West Timor or other parts of Indonesia, the decimation of the country's infrastructure and massive destruction the country's housing stock. From this starting point, Timor-Leste underwent a two-year transitional period under the auspices of the UN to prepare itself for independence. In May 2002, the country became the newest nation and the newest democracy in the world. The country is now in a process of nation building as it establishes and consolidates key elements of democratic governance.

2. CONFLICT DIAGNOSIS

In this section, the complex issues and dynamics of potential conflict are analyzed using CMM's framework that allows the superimposition, or 'layering', of the potential causes of violent conflict. Section 2.1 ('Incentives of and Sources for Violence') deals with the underlying root causes of conflict. Section 2.2 ('Access to Conflict Resources') addresses whether key conflict actors have access to the means to transform their frustrations into violence. Section 2.3 ('Institutional Capacity and Response') reviews the capacity of government and civil society to manage or mitigate violent conflict. In Section 2.4, any relevant international forces that could affect the conflict dynamic are highlighted. The kinds of dynamic or conditions that could spark potential conflict are then reviewed in Section 2.5 ('Windows of Vulnerability'). Based on the interaction of the findings in each of the previous sections, Section 2.6 presents three detailed conflict scenarios that depict the kinds of conflicts that could occur in Timor-Leste.

Through each of these sections, the information is presented under descriptive headings. Given the nature of the analytical framework and the issues involved, there is overlap between the sections. In fact, the same descriptive headings are often repeated various times because the same themes are analyzed in the distinct steps of the framework.

2.1 Incentives of and Sources for Violence

The principal root causes of potential conflict in the country are most easily discussed under the following headings. As mentioned, the various categories do overlap to a certain extent.

2.1.1 Ethnic and Religious Divisions

Ethnic and religious divisions are not a strong source of potential conflict. Although there is a degree of local cultural and linguistic variety among the various traditional linguistic communities that make up the population, there is a strong sense of shared cultural and national identity. This is particularly strong due to a shared sense of collective victory over foreign occupiers. Another unifying factor is that the country is primarily Catholic (with mixed Catholic and animist beliefs) with a small percentage of Protestants and a very small Muslim minority. The Muslims who have remained since the Indonesian exodus were generally pro-independence and are generally accepted as Timorese.

Non-ethnic Timorese (especially Chinese) have had and continue to play a fairly dominant entrepreneurial role in the country. This has been a source of some tension in the past, although it is not as serious an issue as in countries such as Indonesia because inter-marriage is fairly extensive in Timor-Leste.

2.1.2 Language Divisions

Language divisions are significant and reflect the country's Portuguese colonial history pre-1975 and the Indonesian occupation post-1975. Throughout the country and most significantly within the political and educated elite, one can draw a loose generational and linguistic line at approximately 35-40 years of age: a) 35-40 years old and above are Portuguese educated and speaking; b) 35-40 years and below are Indonesian educated and speaking. This division is most prevalent within the political and educated elite. There are, however, some people in each group who speak both languages.

Although estimates vary, only around 3-8% of the general population speaks Portuguese (almost all from the older generational group), and those who currently hold political power in the country are from this small Portuguese-speaking part of the older generation.

A number of language-related policies are discussed in Section 2.3.3 that have engendered a degree of frustration among the younger Indonesian-educated elite. This frustration is tempered, however, by two factors: a) an appreciation that the use of Portuguese has a degree of legitimacy in T-L due to the country's history; and b) a sense (especially among the younger Indonesian educated elite) that the linguistic divide is an inevitable function of history and does not warrant being a cause of internal conflict within the population.

2.1.3 Economic Causes

Widespread Unemployment and Poverty¹

Economic issues related to widespread poverty and unemployment represent the most significant potential underlying cause of conflict in T-L.

T-L is one of the poorest countries in the world with a per capita income estimated at \$472 (although is more likely to be in the range of \$250 to \$300 annually), and the economy seems to be contracting. Over 60% of the population is estimated to live on less than \$1.00 per day. Unemployment is around 20% nationwide. Unemployment is most dramatic in regards to young men, at 20% in urban areas and reaching 43% for males between 15-24 years old in urban areas.

The country has a largely subsistence-based economy and a significant portion of the country is believed to operate on a barter system. Three quarters of the population resides in rural areas with. Generally, poverty increases from East to West, with 46% of the population below the poverty line. Rural areas are substantially poorer than urban areas, and highlands are poorer than lowlands. Oecussi, geographically isolated from the rest of T-L, is one of the poorer districts.

The bleak economic situation is compounded by the high expectations of recent independence, which results in high economic frustrations. Economic frustrations are particularly strong with three overlapping groups of people: a) unemployed young men; b) ex-combatants and veterans who feel they have not received sufficient benefits from the independence for which they risked

¹ The statistics for this section are primarily taken from: 1) World Bank, 'Background Paper for the Timor-Leste and Development Partners Meeting', 3-5 December 2003; and 2) USAID Timor-Leste, 'Annex 1: East Timor at a Glance', a fact sheet of key statistics that was handed to the CVA team in 2004.

their lives fighting; and c) the rural poor in general. The mounting frustrations of these groups have been and can be politically radicalized by organizations described in the following section.

Economic Issues Around the Border Zone

There are several economic issues worth highlighting regarding the border zone between T-L and West Timor, including: a) growing small-scale black market activity across the border (in common goods such as food, drink, cigarettes and cooking gas); b) an import tax regime that encourages black market trade in common goods; and c) a clear need and desire for some kind of border arrangements that could facilitate trade between local people living on both sides.

2.1.4 Limited Public Services

Public Services in General

As a combined function of the physical destruction of late 1999, the ensuing disappearance of the institutions and personnel of Indonesian governance and the challenges of starting a new country from scratch, access to basic services is a major problem in T-L and a source of growing tension. Basic service delivery is extremely weak across the board and especially limited in rural areas. Lack of access to basic services includes: water², health³, education⁴, electricity⁵, transportation⁶ and justice⁷.

Lack of Access to Government Information

There is a fundamental lack of access to government information of all kinds including information about: what the government is doing; the challenges government faces; its successes; new legislation that is being developed; issues under debate in Parliament; and overall access to

² Approximately half of the population does not have access to clean drinking water. This problem is more acute in rural areas where only 20% have access to safe water. In some rural areas, people walk several miles for potable water.

³ Health clinics exist in many areas of the country, however, a lack of health professionals employed in the sector, services and supplies, and lack of transportation to health facilities, especially in remote areas, present formidable challenges. As such, there is a high incidence of communicable disease, i.e. malaria and dengue; high maternal mortality rate, approximately 840 per 100,000 births; and declining child immunization rates.

⁴ Schools were nearly 95% destroyed in 1999, which led to an exodus of 20 percent of primary school teachers and 80 percent of secondary school Indonesian teachers leaving the country. There is still a shortage of competent teachers, especially at the secondary school level. While enrollment rates are increasing, over a quarter of all 6-18 year olds have never attended school. One reason is because the cost of education is beyond the reach of many Timorese. The cost of primary education is \$.50-\$1.00 per month and \$4.00 – 7.00 for high school. School supplies and school infrastructure are additional costs. Over half of the students do not have a complete set of textbooks.

⁵ Since the chaos of 1999, areas that previously had electricity have only partial service delivery and service is intermittent. In an effort to recover costs in this sector, the government has installed 10,000 pre-payment meters. This is progressing very slowly and is expected to be a source of tension as costs are prohibitive for many people.

⁶ There has been limited maintenance of the transportation network since the destruction of 1999 and the road network is deteriorating bit by bit. The great majority of the country does not have their own means of motorized transport and the cost of transport by local buses ('microlets') is too expensive for most people.

⁷ Access to justice is a fundamental problem. The court system is only functioning in the two urban centers, Dili and Baucau. Moreover, there is an overall lack of experience and skills, lack of resources, lack of case management system, and related language problems. In addition, the cost of initiating a civil suit is \$75, which is totally out of reach of the great majority of the population.

government services of any kind. In other words, the majority of the population has extremely limited knowledge about what their government is doing in the first years of nation building.

This lack of information leads to profound confusion and misunderstanding on the part of the population, and is being manipulated by disaffected groups within T-L (see 'Disaffected Groups' under Section 2.2.1).

2.1.5 Demographic Issues

Generational Divide – Language and Culture

Section 2.1.2 describes a generational divide between an older Portuguese-speaking population and a younger Indonesian-speaking segment of society.

Very Young Population

The population of Timor-Leste is very young, with estimates that approximately 50% of the population is under 15 years of age. Unemployed youth, especially men, are very vulnerable to being manipulated by others to cause troubles. In fact, various sets of actors have been manipulating/mobilizing unemployed young men, and this will continue (see 'Disaffected Groups' as well as 'Martial Arts Clubs' under Section 2.2.1).

Urban Migration to Dili

Urban migration to the capital city of Dili only began following the chaos and violence of 1999. Dili currently has a population between 180,000-210,000 people, representing an approximate increase of 40-50% since before 1999.

Militia and 'Refugees' Located in West Timor

As a result of the violence of 1999, 250,000 people were forced over the border into West Timor. At present, approximately 27,000 – 28,000 'Timorese' remain in West Timor⁸. There are definitional issues regarding their status as 'refugees of T-L' or 'citizens of Indonesia'. According to the UN, they are no longer deemed refugees, but now displaced peoples who have been granted Indonesian citizenship. According to the Timor-Leste government, the issue has not been determined. The definition of their status is significant because it defines the issue as either "internal/domestic" verses "external/cross border".

There are 1,500-2,000 militia members near the border in West Timor, including 2-5 key leaders. Allegedly, links are currently being established within West Timor between militia leaders, political candidates, organized crime and ex-TNI. The 27,000-28,000 displaced East Timorese who remain in West Timor are geographically dispersed, do not receive accurate information and are manipulated by the militia. The militia also uses the status of this group to get access to funds from international donors as a means of revenue.

Border incursions from militia occurred in late 2003. While there is no evidence of planned incursions at present, the possibility of future incursions exists and will likely increase with the withdrawal of the UN.

⁸ Each month, between 12-40 people return to Timor-Leste from West Timor.

2.1.6 Causes Related to Political and Economic Power

Highly Centralized Political Power

Power is concentrated in one political party that controls the cabinet, the parliament and the majority party (FRETILIN). As it stands, political power is further concentrated within a small circle of people who run FRETILIN and the cabinet; these people are older generation Portuguese speakers with strong historical affinities to the Lusophone world. Key individuals within this group were in former Portuguese colonies such as Mozambique during the 25 years of Indonesian occupation. This small inner circle is the primary target of campaigns run by organizations such as CPD-RDTL, who are mobilizing economically and politically marginalized groups such as unemployed youth, ex-combatants and the rural poor (see 'Disaffected Groups' under Section 2.2.1).

Patronage

Patronage is discussed in Section 2.3.3.

Lack of Transparency

There is a significant lack of transparency in most aspects of government decision-making. While there is no proof of systemic widespread corruption, this lack of transparency leads to a suspicion that corruption could become rampant.

Political Rivalries

Historical political rivalries exist between a various key individuals/elites, and are being played out in some of the conflict dynamic evident in the country (this theme is evident in some of the Conflict Scenarios in Section 2.6). These rivalries play a part in tensions that exist between CPD-RDTL (and other disaffected groups), the government and the President.

2.1.7 Environmental and Natural Resource Causes

Land Conflicts

Property and land rights are complex issues with significant potential to cause conflict at national and local levels. This applies to both urban and rural lands.

Conflict over property and land rights are very politically charged because some of the individuals who claim ownership over large areas of valuable land include political leaders from FRETILIN as well as other political parties. Violent conflicts over productive agricultural land are most likely to flare up during planting and harvest seasons.

Coffee

Coffee is the number one export of T-L and approximately 40,000 families are engaged in this sector⁹. Production takes place on approximately 50,000 hectares of land, largely farmed by smallholders averaging 1-2 hectares. Land rights and tenure issues are a potential source of conflict regarding coffee land.

⁹ An average coffee producing family, about 6 people, has an annual cash income of \$200-300, 90% of which is derived from the sale of coffee beans.

In addition, a disease affects the most common shade tree used in coffee plantations in T-L¹⁰. The shade trees, which are already quite old, are therefore particularly susceptible to natural hazards such as severe windstorms. Severe loss of these shade trees could result in a significant reduction in the coffee yield in the country as well as a potential loss of shade-grown certification (as well as serious soil erosion problems). This would have significant economic implications for the country and would create a situation where localized conflicts involving coffee workers would be very likely.

Access to Localized Natural Resources

Access to certain natural resources could become sources of localized conflicts both within and between communities in the coming years (i.e., productive rice land, firewood, waterholes).

Environmental Vulnerability

Overall, the environmental situation in T-L is not good. The country is particularly vulnerable to either floods or draughts that could trigger conflict (as highlighted in Section 2.5.1, 'Unpredictable Windows of Vulnerability').

Specific issues of concern include:

- *Soil erosion*. This is taking place as a result of forest removal for firewood consumption, slash and burn agricultural practices, and the burning of grasslands for sheep grazing.
- *Limited availability of irrigation*¹¹. As a result, farmers are very vulnerable to weather and rainfall.
- *Food Insecurity*. This is widespread and closely connected to the harvest cycle of rice and maize. Close to nine in ten persons experience inadequate food provision at some point during the year¹².

Oil and Gas Revenues

Management of the country's oil and gas revenues will be a major issue over the coming years and could cause significant conflict if appropriate measures to ensure accountability and transparency are not in place. With the support of the World Bank, T-L is planning on adopting a Norwegian model of trust fund that is reputed to follow very high standards of accountability and transparency.

2.2 Access to Conflict Resources

This section reviews the extent to which key potential actors in conflict have access to the organizational, financial and human resources (i.e., the 'conflict resources') necessary to mobilize their frustrations. Each 'conflict resource' is addressed as separate headings and the reader will therefore notice some repetition regarding key actors. A final heading refers to access to arms.

¹⁰ The tree is called *Albezias*, and is a non-native species mostly planted over a century ago. The disease is called *Uromycladium tepperianum*, or rust disease, and it affects over 67% of these trees.

¹¹ Less than 1/5 of land plots in T-L are irrigated yet irrigation is a key factor determining productivity.

¹² Food shortages are most severe from November to February, at the end of the maize harvest and before the rice harvest.

2.2.1 Organizational Resources

Disaffected Groups

Various disaffected groups exist that are channeling and/or manipulating the growing frustrations of unemployed youth, the rural poor and ex-combatants. These groups include CPD-RDTL, Colimau 2000, Osnaco, Sagrada Familia and others. Descriptions of these groups appear in Annex C. The support base for these disaffected groups is believed to be between 2,000-10,000 people in total.

Based upon opportunity, these groups mobilize people around a range of possible issues including: land; unemployment and/or poverty; allegations of corruption and/or lack of government transparency; lack of access to basic services; police mishandling of situations; allegations that question the government's legitimacy; etc. These groups regularly take advantage of the fact that limited government information reaches to the population, especially in rural areas. They use rumor and innuendo to foment discontent against the government, among their potential supporters.

Ultimately, their potential supporters are drawn to these groups as a function of growing frustration related to poverty, unemployment and limited access to government services of any type (compounded with high expectations that they will see some benefits of having recently achieved independence). Experience shows that addressing - even minimally - the issues driving their frustration can turn a community of supporters into non-supporters relatively easily.

Recent allegations suggest one of these disaffected groups - Colimau 2000 - was trying to establish links with militia in West Timor. There is no evidence of that to date.

See the conflict scenario detailed in Section 2.6.2.

Martial Arts Clubs

Martial arts clubs are widespread throughout T-L and have been important institutional frameworks for organizing youth activities, including inter-club violence. There are currently 12 martial arts groups in the country. The largest has 20,000 members and is growing rapidly. The members of these groups are sometimes mobilized/manipulated by individuals/elites to cause conflict and violence.

Militia

As mentioned in Section 2.5.1, there are between 1,500 - 2,000 militia members in West Timor, including 2-5 key leaders. There are allegations that links are being formed in West Timor between at least one militia leader, ex-TNI, political candidates, and organized crime. This could result in the militia gaining access to fairly significant resources that could be directed toward training and future border incursions.

2.2.2 Financial Resources

Disaffected Groups

Allegations have been made that some of these disaffected groups¹³ have access to financial resources through connections to the Indonesian government or military; there is no evidence we have seen to support this. These same groups are involved in petty extortion although this does not amount to a significant source of financial resources. It is possible that these groups are benefiting somewhat from black market illegal activity, although this would not amount to significant financial income.

CPD-RDTL members have been jailed sporadically for acts of petty violence. A few arms, radios and military uniforms have been seized, but no credible evidence has yet emerged of external, financial or military backing. Colimau 2000 was recently accused of infiltrating the West Timor border to establish contact with militia leaders who would likely have access to resources from ex-TNI and perhaps other sources. Specific investigations suggest this never occurred.

Militia

Section 2.2.1 also refers to the militia's access to financial resources.

2.2.3 Human Resources

Disaffected Groups

As mentioned, disaffected groups are mobilizing unemployed youth, disenchanted ex-combatants and the rural poor. This could provide access to potentially large numbers of recruits if the economic situation does not improve.

Militia

Section 2.2.1 also refers to the militia's access to human resources.

2.2.4 Access to Arms

It is important to note that there have been very few guns in Timor-Leste since 1999, and this remains the case.

2.3 Institutional Capacity and Response

In this section, we review the capacity of government and civil society to manage and mitigate conflict. This is done under the following headings.

¹³ See Annex C for a description of the key disaffected groups including CPD-RDTL, Colimau 2000, Sagra da Familia and Osnaco.

2.3.1 Regime Type and Legitimacy

Legitimacy is High

The governing regime is very legitimate in the eyes of the people and this is a significant benefit in terms of being able to manage or mitigate conflict. The battle to achieve independence was long and hard and almost every Timorese played some kind of role in this victory. As a result, the new government and the new institutions of democratic governance that are being established and consolidated are widely respected and the population has a sense of running its own show for the first time in history.

The popularity and legitimacy of the President is exceptional. The party that led the independence movement throughout the Indonesian occupation – FRETILIN – is the majority party in control of Parliament and Cabinet and is seen as the legitimate party to be running the newly independent nation. Even the Prime Minister – often criticized for being out of touch with the population as a result of having spent the years of the Indonesian occupation abroad – still holds a significant degree of legitimacy because he was a founding member of FRETILIN. He led the party for many years and is one of the few Timorese with extensive legal experience.

The only actors who seriously question the legitimacy of the government and/or the new country are: a) the various disaffected groups although CPD-RDTL's leadership is the most vocal (as described in Section 2.2.1) and b) ex-TNI and some of the militia members located in West Timor (as described in Section 2.2.1). Only a small minority of the population within T-L only holds this kind of position.

The President and his Office

Respect for President Xanana Gusmão and his office is exceptionally high and both play a significant role in preventing and managing conflict in the country. The President is driven by an inclusive and reconciliatory vision of T-L and his office has initiated numerous very important initiatives to mitigate conflict and promote reconciliation, including: a) two formal commissions that recently completed registering ex-combatants and veterans, in order to recognize those who served the country in the resistance movement¹⁴; b) a set of national dialogues on critical issues (these have addressed CPD-RDTL demands, local governance, and the judicial system to date, and more are planned on other topics); and c) ongoing visits to districts and villages where localized conflicts flare up in order to bring people together and promote dialogue.

Security Forces

See Section 2.3.5.

2.3.2 Civil Society Institutional Capacity

The Catholic Church

The Catholic Church represents a very significant actor with enormous potential in building dialogue and mediating conflicts of different types. The Church played a very significant moral and leadership role in the country's fight for independence and is held in very high esteem. The Church is regularly called upon to mediate conflicts of different types, although it respects the

¹⁴ The President's Office is also considering something similar regarding members of the clandestine network.

division between Church and State and will not get involved in conflicts that are explicitly 'political' in nature. The Church is also active in the area of informal skills training and community development.

NGOs (including Legal Aid NGOs)

Various NGOs are developing expertise in the areas of mediation and dialogue building and have begun to play a role in these areas. NGOs providing legal aid services in particular are beginning to provide these kinds of services regarding land and family conflicts, and some have become involved in building dialogue between disaffected groups such as CPD-RDTL and local communities or with the government (i.e., Hak Association).

Community Level Dispute Resolution Mechanisms

Informal (or 'traditional') dispute resolution mechanisms are operational throughout most of T-L. Informal systems are used to resolve most civil disputes (i.e., land issues, inheritance, small barter/business debts, dowry debts) as well as certain criminal matters (i.e., small theft, domestic violence), and are preferred by the many Timorese as the appropriate forum to resolve their differences¹⁵. These community level systems have demonstrated their potential in resolving and managing disputes especially because the formal justice system has not been functioning properly since 1999.¹⁶ See the discussion about the Land Dispute Mediation System under Section 2.3.4, as a very good example of how to build on the strengths and legitimacy of these informal community level mechanisms while also linking them to the formal justice system.

2.3.3 Policies that Promote Inclusion/Exclusion

Recognition of Ex-Combatants and Veterans

Recognition of ex-combatants and veterans is proceeding well in recent months and the mounting frustration that has been felt by these sectors is being defused.

As mentioned in under Section 2.3.1, the Veterans' Commissions operated through the Office of the President are playing an important role in defusing this frustration¹⁷, thereby diminishing the vulnerability of these people to being manipulated by groups like CPD-RDTL. A similar process is being planned in regards to members of the clandestine movement.

Generally, it is recognized that programs targeting ex-combatants and veterans (or members of the clandestine movement) must be carefully designed to avoid providing benefits in a way that generates tension between beneficiaries and the rest of the community. This is a significant concern because all community members have so many profound needs (i.e., economic, access

¹⁵ For example, see the Asia Foundation, "Survey of Citizen Knowledge: East Timor, March 2002", 1 May 2002.

¹⁶ Given that the formal justice system is not yet functioning properly, there is no possibility for these informal systems to be connected to the formal system of justice at this time. That said, we must recognize that the informal systems are not standardized and do not operate to standards of due process or international human rights. Accordingly, there is justifiable concern about the use of informal justice systems in criminal cases, especially cases of rape and domestic violence, and in other areas as well such as land and inheritance. Ultimately, there will be a need to create linkages between the informal and formal systems.

¹⁷ Currently, the Veterans' Commissions are engaged in public consultation processes in all 13 districts that will inform the development of criteria and recommendations for the recognition of Veterans of FALINTIL and ex-combatants from 1975-82. The lists and final report of the commissions will provide the basis for the formulation of Government policy regarding this recognition. War widows are also being recognized through this process.

to services, etc.). As a result, programs are targeting benefits to the broader community¹⁸ or, alternatively, veterans are prioritized in the initial phases of a project then the broader community can access the benefits¹⁹.

Language (and the Generational Divide)

The following language-related government policies have engendered a degree of frustration among segments of the non-Portuguese speaking population, especially the younger Indonesian educated elite: a) selecting Portuguese as the country's official language (along with Tetum); and b) requiring Portuguese language skills as a requirement to hold senior positions within the civil service. There is also concern that language could be linked to educational advancement in a way that could have discriminatory impact.

That said, this frustration is tempered by factors discussed in Section 2.1.2 and these policies alone are unlikely to cause significant internal conflict within the population. Aspects of these policies are highlighted, however, in certain Conflict Scenarios outlined in Section 2.6.

Patronage

The civil service is the largest employer in the country, with around 18,000 employees. Repeated allegations suggest patronage is widespread and most jobs go to individuals close to the FRETILIN party²⁰. While the party's significant historical legitimacy and widespread popularity tempers the frustration this engenders, the practice is a potential source of future localized conflict regarding access to employment.

Local Government

As it stands, there are no formal mechanisms linking the centralized State government to local level governance throughout the country. The effect is to exclude local concerns from being properly heard by the State. That said, it is hoped that this will be addressed through the government's plans to initiate a national system of Suco (village) level elections in the near future.²¹

2.3.4 Rule of Law

Civil and Political Freedoms

Civil and political freedoms are protected by law on paper and have been generally respected in practice to date.

¹⁸ The UNDP program named 'RESPECT', was originally critiqued for focusing too narrowly on ex-combatants and veterans and has since been expanded to provide opportunities for the a wider range of vulnerable members of Timorese society.

¹⁹ The Dili Institute of Technology informal skills training initiative will target veterans in it's first phases and in will open it's program to other beneficiaries in subsequent phases.

²⁰ It should be mentioned that patronage or favoritism charges were prevalent during the UNTAET period, when allegations suggested international UN staff were often excluding CNRT and FRETILIN candidates from employment opportunities..

²¹ As well, although the details remain unclear, the government is also evaluating various models to decentralize the state administration. Ultimately, some kind of interaction between locally elected leaders and a more decentralized public administration seems inevitable.

In the case of CPD-RDTL, however, the government is calling the group illegal without a clear legal foundation for doing so. Evidence suggests the government and police are being too heavy-handed with some of the disaffected groups listed in Annex C, violating the rights and freedoms of the members. There is a growing perception that the police in particular are biased against these groups.

Gaps in the Legal Regime

The existing legal regime is rife with gaps and uncertainties and the processes to address this are really just beginning. There is a lack of legislation in various subject areas that causes confusion and potential conflict including the roles and responsibilities of: a) police and military; and b) the independent judiciary and the government in regard to justice matters.

To date, some of the mechanisms used to develop legislation are slow, lacking in transparency and generally associated with limited public information. Improvement is needed in this area as it is a potential source of tension and conflict.

Weak Formal Justice System

The formal judicial system is not yet functioning properly in T-L. In addition to the fundamental challenge this represents regarding democracy and governance in general, this means that many kinds of disputes cannot be resolved through formal mechanisms that operate within the framework of the law. As it stands, however, informal community level dispute resolution systems are operational in much of the country and are being used to manage many disputes. The discussion in Section 2.3.2 goes into more detail on this.

Land Dispute Mediation System

The Land and Property Directorate of the Ministry of Justice has a decentralized system of mediators in place throughout the country to help manage land disputes in a way that supports and builds on informal ('traditional') community approaches of dispute resolution that function at the community level (see Section 2.3.2, for a description of the community level systems.). Policy recommendations currently before government propose legislation that will formalize, strengthen and build upon this system, and link the informal community mechanisms to the formal justice system in an integrated manner²². Capacity building and further support will be required, but recommendations like these represent potentially relevant, culturally appropriate and cost effective means of managing disputes.

2.3.5 Provision of Security

Security Forces Ability to Manage Conflict

Both the police and military are poorly trained and inexperienced as professional security forces. This is understandable, however, given that both institutions have been developed from scratch over a short period of time and under imperfect conditions. The government, the donor community and the institutions themselves recognize and understand this reality. That said, the

²² Timor-Leste Land Law Program, "Draft Report on Research Findings and Policy Recommendations for a Legal Framework on Land Dispute Mediation", produced by ARD Inc. in conjunction with the Land and Property Directorate of the Ministry of Justice, with funding from USAID, 30 January 2004.

security forces should be able to manage - albeit imperfectly (see discussions below for more detail) - the conflicts and tensions that are likely to arise in T-L.

In terms of numbers:

- *Police*: There are 3,000 officers. This includes the regular police, a Border Police Unit (BPU), and a newly established Rapid Deployment Service (RDS) to deal with criminal border incursions and robberies on highways. A Special Police Unit (SPU) that will be equipped with more powerful weapons is also planned.
- *Military*: There are currently 1,500 people in the forces with plans to add 1,500 more personnel (although there is a lack of resources to do so at this time).

Tension Between Security Forces

Tensions exist between the two security forces. In addition to poor training and limited professional experiences on both sides, this is also a function of the fact that the roles and responsibilities of the two new forces not been clarified (i.e., legislation still does not exist to clarify their respective mandates and responsibilities). Other issues are also at play including: a) distinct patterns of political allegiance, whereby the military is loyal to the President and the police are being put together in a way that suggests an attempt to solidify their allegiance to the Prime Minister²³; and b) a degree of jealousy regarding access to international financial support²⁴.

These tensions have resulted in physical altercations between the two security forces including the occasional use of arms. The most recent and serious incident of this type took place in Lospalos and is currently under investigation.²⁵ That said, there is a sense that good coordination exists between the top officials of both forces and that these tensions are manageable and will not be the source of significant conflict.

Special Concerns Regarding the Police

Of the two imperfect security forces, the police are of greatest concern. In part, this is because the police have a more significant role in the daily life of the people. The reputation of the force for mishandling situations, abusing human rights and general heavy handedness is on the rise, however. There are also allegations of corruption within the ranks. Allegations suggest a degree of political manipulation on the part of certain individuals underlies some of the problems arising with the police force. In particular, allegations suggest there is a 'complicated dynamic' in the chain of police and ministerial command that sometimes results in the police mishandling situations or using heavy-handed tactics.

²³ The military is loyal to the President because he led most of the soldiers in his earlier capacity as leader of the armed resistance movement (most of the soldiers were originally taken from the ranks of the armed resistance), and the President is Commander-in-Chief under the Constitution.

²⁴ AusAID/DFID are supporting the police through an A\$40 million "Timor-Leste Police Development Program". The military, on the other hand, is not lined up for support of the same nature and scale.

²⁵ Two commissions are being established to investigate a recent shooting incident between the police and the military in Lospalos. One is a joint commission from the Prosecutor General's office and the other is a commission from the President's office. Once these investigations are complete, the President would like to create a commission through his office to look further into the situation and relationship between the two security forces.

Human rights abuses and police heavy handedness have contributed significantly to the tensions that already existed between the government and disaffected groups such as CPD-RDTL. As a result of the type of problems described above, many international observers expressed concern regarding the formation of the new Special Police Unit and the fact that this force will be provided with heavy arms.

2.3.6 Economic Governance

General Economic Governance

As mentioned, poverty and unemployment are widespread throughout T-L and, ultimately, this represents the greatest underlying potential source of conflict in the country. Unfortunately, this will not change overnight because many of the pre-conditions for sustained economic growth are still not in place. For example, the country's infrastructure is weak, the policy and legal environment regarding private sector activity and investment is very limited, there are very few market linkages, agricultural productivity and diversity are low, the banking and financial sector is weak, labor costs are high, there are inefficiencies in the workforce, land and property rights are uncertain, and the judicial system is not yet functioning properly.

Given the country's reality, the National Development Plan argues for the following: a) an extension of informal economy on-the-job training that already exists in workshops throughout the country; b) formal sector employers to design and implement basic training programs; c) the further development of existing donor and church programs in vocational training; d) establishment of a government unit responsible for technical and vocational education and training²⁶; and e) establishment of community-based training centers in the countryside to train people in needed informal economy skills and provide employment advice.²⁷ Some programs currently exist which target vulnerable populations including ex-combatants, unemployed youth and rural poor.²⁸

Investment Environment

Not surprisingly, T-L's circumstance does not provide an easy investment environment. A number of issues underlie this including: a) the formal justice system that is not properly functioning yet; b) uncertainty and important gaps regarding the legislative regime (i.e., land and property issues, investment laws); c) lack of institutional support and information to orient potential investors; d) a fragile security situation especially given the withdrawal of the UN and the imperfect Timorese security forces; and e) widespread malaria and dengue (limiting the potential of tourism).

²⁶ The new Labor Code requires the Department of Labor and Solidarity to establish a Division of Vocational Training and Employment with three units, covering skills development and upgrading, employment services, and labor market assessment.

²⁷ These centers will also provide basic services to match people, skills, and jobs.

²⁸ Two of these include: 1) UNDP's RESPECT program that is intended to support ex-combatants, vulnerable groups of society (particularly widows and unemployed youth), and community inhabitants with employment, economic activities and livelihood opportunities in order to alleviate poverty; and 2) Dili Institute of Technology has a program that focuses on its members first, veterans, then the larger community, particularly youth. The program in Dili provides training and job placements to people with a high school degree, 60% of those enrolled at present are veterans or families of veterans.

Nevertheless, progress on certain issues should improve the investment environment somewhat, including preparation of various laws (and draft laws) that would likely improve investment opportunities which, in turn, could stimulate private sector activities thereby improving job creation (i.e., a draft law on commercial societies, a draft policy and law on private investment, a draft law on distinct aspects of land and property matters). Other issues that also need to be addressed to help encourage investment and stimulate job creation include investment (tax) incentives, issues related to labor and productivity costs, and relevant infrastructure support.

Transparency and Accountability

While there is concern about the lack of transparency in areas of government decision-making (as mentioned in Section 2.1.6), most international observers do not believe that widespread corruption is a significant issue at this point in time. This is not to say that corruption is not taking place, but rather, it does not seem to represent an issue that is likely to underlie conflict beyond the possibility of certain localized outbursts.

Transparency and accountability in regard to the oil and gas revenues that will be on stream around 2007 is a critical issue from a conflict perspective. As it stands, the World Bank is managing this issue and as mentioned, indications suggest T-L will adopt a Norwegian trust fund model that ensures significant accountability and transparency.

Border Zone Issues

As described in Section 2.1.3, high import taxes on locally consumed goods seem to encourage localized black market activity in the border zone.²⁹

Recent discussions between Indonesian and T-L security forces (along with UN Peacekeeping Forces) resulted in putting together the initial elements of a localized border regime including establishment of a traditional market at a border crossing, the use of daily passes for border crossings by local people for set purposes, and establishment of a joint investigation regarding alleged militia incursions. Recent developments have seen development of positive working relations between the T-L Border Police Unit and their Indonesian counterparts.

2.4 International Forces

The most significant international factors that could influence T-L's conflict vulnerability are discussed briefly under the following two headings.

Links between Disaffected Groups and the Militia

There is no evidence we have come across to suggest a link between the various disaffected groups listed in Annex C and militia groups located in West Timor.

²⁹ The existence of the black market is also encouraged by the general absence of consumer goods in T-L, poor market linkages between Indonesia and T-L, and the lack of any official market system or business at the borders of the two countries to accommodate the needs of the informal, micro and small entrepreneurs.

Indonesian Backing of Militia Leaders

Some individuals from T-L who are now in West Timor are affiliated with TNI in a range of official and quasi-official capacities and receive salaries, honorariums, housing or social status due to their relationship. More significantly, there are alleged links being established in West Timor between a key militia leader, ex-TNI, political candidates, and organized crime. Given the significance of these kinds of relations to T-L's history and to dynamic in other parts of Indonesia, this is an important development that warrants ongoing monitoring.

Although there is no evidence at this time that these significant links going beyond the personal relations of a single militia leader, it is safest to remain vigilant about the possibility that more formalized relations could be established at a later date. The profound humiliation and bitterness felt by members of TNI's leadership upon having to leave TL in late 1999 must not be forgotten nor underestimated.

2.5 Windows of Vulnerability

The kinds of predictable and unpredictable events that could potentially trigger in T-L are reviewed as follows.

2.5.1 Predictable

Some predictable windows of potential vulnerability include:

- The pullout of the United Nations, especially the UN Peacekeepers. This will also be associated with economic repercussions due to loss of jobs and decreased economic activity.
- Elections in T-L, including: a) the first ever village (Suco) level elections in 2004; and b) the Presidential and Parliamentary elections around 2007.

2.5.2 Unpredictable

Some possible unpredictable windows of vulnerability include:

- Environmental catastrophes: flooding or drought.
- Political and economic developments in Indonesia.
- A dramatic deterioration in President Gusmão's health (i.e., paralysis due to back problems or related surgery).
- Police mishandling of situations and/or heavy handedness (perhaps politically manipulated).
- Significant developments related to land issues (i.e., new land laws that are perceived to dramatically benefit or harm certain claims for property ownership, or significant court decisions regarding the same).
- When oil and gas revenues begin flowing (if appropriate mechanisms of accountability and transparency are not in place).

2.6 Interaction Effects: Conflict Scenarios

Based on the interaction of the findings presented above, we have developed three scenarios to depict the most relevant patterns of conflict that could be played out through the coming years in Timor-Leste. Immediately beneath the heading of each scenario, an estimate is provided

regarding the likelihood of it sparking conflict (both limited localized conflict, as well as widespread destabilizing conflict). Following the description of each scenario, programmatic comments pertinent to USAID's activities are provided.

2.6.1 Conflict Scenario 1 - Border Incursions from Militia in West Timor

<p>High risk of sparking limited localized conflict Low risk of sparking widespread destabilizing conflict</p>
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Militia currently located in West Timor could execute border incursions into Timor-Leste, with the express intent to cause disturbances and destabilize the political situation. Border incursions from militia took place in late 2003. The most likely scenario is that incursions take place (or increase) after the departure of UN Peacekeepers in the border region, which could occur as soon as May 2004. While some incursions seem probable, the national security forces should be able to manage the situation overall, even if their handling of matters would be imperfect. This scenario is unlikely to involve more than some localized conflict around the border zone. This scenario only becomes very serious if there is significant and ongoing financial support provided to the militia from outside sources, which is not probable.

As it stands, there is no concrete evidence that support from Indonesian sources such as TNI or ex-TNI members is going to militia members, although there are widespread rumors of this. Given the intense bitterness and personalized sense of humiliation that some TNI and ex-TNI members sense toward Timor-Leste, one cannot deny that some kind of financial support could be provided in the future. That said, support from TNI as an institution or from the Government of Indonesia is not likely in the near future.

It is important to note that a particular senior militia leader is allegedly establishing links in West Timor with political candidates, organized crime and ex-TNI. Although there is no suggestion to date that these relationships are intended for purposes beyond personal gain and benefit, the allegation comes from credible sources and is worrying.

Illegal activities including black market border trade, illegal teak logging or some other revenue generating activity could tie into this scenario, although there is no evidence to date that this is happening. Although unlikely, this scenario could escalate in gravity if TNI and Timor-Leste security forces are both stationed close to the border zone and some kind of incident triggers an exchange of weapon's fire between the two.

Programmatic Comments:

- A border regime could be helpful that incorporates elements such as: specialized border crossing privileges by locals; controlled traditional markets located at border; removal/decrease of high cross-border taxes on day-to-day goods that are more costly in T-L, or difficult to access because they are only available in Dili and district capitals.
- Ongoing dialogue is needed between TL security forces (i.e., PNTL - Border Patrol Unit and others as required) and Indonesian security forces (TNI and POLRI).
- Promote capacity building of PNTL-Border Patrol Unit, including emphasis on community policing practices to ensure close relations with local communities.

- Although beyond the scope of programmatic considerations, ongoing monitoring is important regarding relations in West Timor that involve militia leaders, organized crime, political candidates and TNI/ex-TNI.

2.6.2 Conflict Scenario 2 - Coordinated Internal Mobilization by Disaffected Groups

High risk of sparking limited localized conflict
Low risk of sparking widespread destabilizing conflict

Various groups have been formed in Timor-Leste who are disaffected from the government and the process of nation building, mostly as a result of unresolved political conflicts of the past. These groups have been mobilizing parts of the population to foment frustration and discontent toward the government and could well mount coordinated campaigns of this nature that could have a destabilizing effect on the country and the government. The principal disaffected groups include CPD-RDTL, Colimau 2000, Sagrada Familia and Osnaco (see Annex C for descriptions of each). The total number of supporters for each of these groups combined is between 2,000-10,000 people.

Under this scenario, the campaigns mobilize those sectors of society where frustrations are high primarily due to economic and/or political marginalization. These sectors include: unemployed youth, mainly young men; marginalized and often illiterate rural poor, and ex-combatants/veterans. These campaigns take advantage explicitly of the fact that the Government has not established proper mechanisms of communication and information flow to the public. As a result, there is a profound lack of information coupled with confusion and uncertainty about almost all aspects of governance in the new nation. This is especially true in isolated rural regions. These campaigns manipulate this situation with misinformation, innuendo and rumors aimed at discrediting government and fomenting discontent.

These campaigns are opportunistic and will try to foment political discontent around any number of issues where frustrations could be high. These issues could include: proper recognition of veterans/ex-combatants; access to employment and economic opportunities (or lack thereof); access to basic service delivery (i.e., education, health, water, electricity, etc.); allegations of government corruption or patronage; frustration with government, especially targeted toward individual leaders; village (Suco) level elections; and localized land and property conflicts.

The potential intensity of this scenario increases with the withdrawal of the UN, especially the UN Peacekeepers, because their presence provides a sense of security given the limited capacities of Timor-Leste security forces at this time. Tension and conflict under this scenario could escalate significantly if the national security forces mishandle situations. The likelihood of the security forces – especially the police – exacerbating the situation is high. This could have the effect of increasing public sympathy for the disaffected groups and potentially increasing their support base. Government overreaction and mishandling of this scenario is also possible. This would be expressed through a combination of: inflammatory, insulting and antagonistic public rhetoric from government; and/or inappropriate use of security forces (especially the police) to target these groups. Again, this could have the effect of increasing public sympathy for the groups and potentially increasing their support base.

In rural areas, any conflicts involving these groups will remain localized as a function of the country's geography coupled with limited communication and transportation networks. The conditions in the capital city of Dili, however, could allow a localized conflict incident to escalate into a problem with greater repercussions. If things were to develop in this way, this scenario could then blend into the Dili-based version of the following scenario.

Programmatic Comments:

- The underlying issues that make the potential support base for these groups vulnerable to political mobilization/manipulation could be addressed through initiatives that prioritize the rural and urban poor through: improving livelihoods and food security, improving informal sector skills, improving employment opportunities; improving basic service delivery to marginalized areas; improving access to finance and credit opportunities; and creating market opportunities for domestic consumption (linking local agricultural surplus to local areas of need).
- Participatory processes at the local level aimed at bringing communities together and promoting dialogue around needs and the means of satisfying these are very important. Not only will this ensure relevant activities that meet community needs as well as a sense of local ownership over the initiatives, but tense relationships with the potential for conflict can be strengthened and reconciliation promoted. Participatory and dialogue building approaches can be used in stages of design and implementation of most programmatic initiatives.
- Efforts to promote effective dialogue between key leaders involved in Government, CPD-RDTL, the Presidency and others could prove very productive. Note, however, that the earlier efforts at national dialogue involving some of these actors did not work because, in part, the processes were not properly designed and did not prioritize the preliminary steps required to prepare people for negotiation and/or dialogue.
- A government information office of some type is desperately needed to improve communication between Government and civil society.
- Certain districts warrant a degree of special attention to diminish their potential vulnerability to destabilizing activities (i.e., Oecussi, Covalima, Ermera and Bobonaro).
- Police capacity needs to be further strengthened to handle difficult, potentially violent situations in a constructive manner.
- Effective police oversight is needed.
- Efforts to recognize veterans and ex-combatants for their role in the struggle should continue to receive priority.

2.6.3 Conflict Scenario 3 - Localized and Sporadic Outbursts of Violence in: a) Rural Areas; and b) Dili

<p>High risk of sparking limited localized conflict Low risk of sparking widespread destabilizing conflict</p>
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Localized and sporadic outbursts of frustration and violence will inevitably occur over the coming years in Timor-Leste, as has been the case for many years. These can take place in any part of the country although the dynamic in the capital city of Dili would involve special dimensions (described below). Poor and marginalized people will generally be involved in these incidents, although young men are likely to constitute the majority of the people actually

involved in the violent outbursts. In most cases, these outbursts will likely be incited by individual elites operating behind the scenes using these situations to achieve personal objectives (i.e., political, economic and/or related to personal historical rivalries). It is possible that martial arts clubs could be involved in these incidents, perhaps as a result of the coordination (or manipulation) of individual elites. Members of martial arts clubs could be involved because their clubs offer an organized structure for mobilizing young men to incite violence or get involved in violent altercations. If the outbursts of violence are coordinated by any of the disaffected groups referred to earlier, then the dynamic of Conflict Scenario 1 would come into play.

These outbursts can focus on a range of possible issues although aspects of poverty, unemployment and lack of access to adequate service delivery will likely be part of the dynamic. Specific issues that could be involved include: access to employment opportunities and related benefits (or lack thereof); land and property conflicts of various types; electricity prices and related service delivery; access to water (i.e., water holes, or water service delivery); an issue of public policy or a governmental decision on a range of possible topics; and election related issues.

Involvement of the security forces, especially the National Police, is probable in most circumstances. As things currently stand, this means it is likely that the police will mismanage the situation and/or use inappropriately heavy-handed tactics. Further, there exists a risk that security forces – especially the National Police - could be consciously manipulated by individual elites to set up situations where the likelihood of police mishandling is high. In these circumstances, the mishandling of a situation by security forces could lead to a significant escalation of the conflict leading to significant violence, looting and/or destruction of property.

In rural areas, these outbursts of violence should remain localized as a function of geography and the difficulties of transportation and communication in the countryside.

In the capital city of Dili, however, these outbursts of violence are potentially much more serious. In Dili, this scenario has a greater likelihood of escalating into significant conflict, violence, looting and destruction of property as a function of the higher population density, the large concentration of unemployed young males who can be mobilized, and other socio-economic dynamic typical of urban areas. Further, outbursts that spin out of control in Dili would also be more likely to receive media coverage thereby affecting perceptions in a way that would have a negative impact on investor confidence.

Programmatic Comments:

- Underlying issues of poverty, unemployment and limited service delivery need to be addressed in ways as already described in the programmatic comments of Section 2.6.2.
- Participatory processes at the local level aimed at bringing communities together and promoting dialogue around needs and the means of satisfying these are very relevant as described in the programmatic comments in Section 2.6.2.
- Special attention could be directed to particularly vulnerable districts as described in Section 2.6.2 (i.e., Oecussi, Covalima, Ermera and Bobonaro).
- Police capacity needs to be further strengthened as described in Section 2.6.2.
- Effective police oversight is needed as described in Section 2.6.2.

- A process of national dialogue could be directed towards the numerous martial arts clubs in T-L in order to help them established some kind of national association with a set of national principles, rules and a code of ethical conduct.³⁰ This could diminish their current vulnerability to political manipulation to incite violence.

³⁰ A process of national dialogue between the martial arts clubs could be facilitated (for example) by figures associated with the Church, the President, the Prime Minister and the Ministry of Education, Culture, Youth and Sport.

3. CONCLUSIONS

Based on the conflict diagnosis in Section 2, the most important conclusions can be summarized under the following headings.

T-L's Situation Has Some Advantages from a Conflict Vulnerability Perspective

Timor-Leste's unique post-conflict situation offers certain opportunities, or advantages, from a conflict prevention and mitigation perspective. With the Indonesian exodus of late 1999, the country was left with a small population of unified people who achieved an amazing victory against a common enemy. The country is blessed with an exceptional President who prioritizes unity and reconciliation, as well as a careful leadership in government that, in many ways, seems to be taking sensible steps forward in an appropriately cautious manner. There are also very few guns in the country. This is not to say that all is perfect but, overall, things are pretty good given what the country has been through and the inherent limitations it faces. All of these factors work to diminish or mitigate the risk of conflict, or to help manage such conflict when it occurs.

Overall Assessment of Conflict Vulnerability

Overall, it is unlikely that the country will face widespread destabilizing conflict in the near future. It is almost guaranteed, however, the country will experience localized violent outbursts/conflicts; these will take place in both urban and rural areas regarding a range of issues³¹. The three most significant conflict scenarios that should be mentioned are:

Border incursions from militia in West Timor. This scenario is detailed in Section 2.6.1. There is a high risk that it will bring about limited localized conflict in the country, and a low risk of causing significant widespread destabilizing conflict.

Coordinated internal mobilization by disaffected groups. This scenario is detailed in Section 2.6.2. There is a high risk that this scenario will spark limited localized conflict, but the risk is low that it will bring about any significant widespread destabilizing conflict.

Localized and sporadic outbursts of violence in both rural areas and in Dili. This scenario is detailed in Section 2.6.3. In both rural areas and in Dili, there is a high risk that this scenario will be associated with localized conflicts and a low risk that it will spark any kind of significant widespread destabilizing conflict. That said, the scenario is potentially more serious in Dili for various reasons (i.e., population density is high, presence of media). Also, if this scenario plays out in Dili, there is a medium-level risk that it could have a negative impact on investor confidence thereby affecting the investment environment.

³¹ A wide range of issues could trigger localized conflicts and outbursts. These issues may operate in isolation or in combination. The list of issues includes, for example: access to jobs (or lack thereof); access to basic services; land and property rights (including issues related to property transferability); language issues; security forces mishandling situations (especially police); access to natural resources (i.e., firewood, water, productive rice land, sustainable energy sources); patronage appointments within government; and political rivalries/revenge.

The Most Significant Root Cause of Conflict Relates to the Mix of Poverty, Unemployment and Limited Access to Basic Services

The combined effect of poverty, unemployment and limited access to basic services - especially when coupled with high expectations associated with independence - represent the most significant root causes of conflict in Timor-Leste. This applies in both urban and rural areas.

Addressing These Root Causes is Very Important from a Conflict Management Perspective

Addressing the challenges of poverty, unemployment and limited access to basic services is important to T-L in general. From a conflict management and mitigation perspective, however, this is very important. In fact, it is clear that addressing these issues – even minimally – will dramatically undercut the potential of disaffected groups (discussed below) to mobilize segments of the T-L population to cause conflict or significantly destabilize the political regime.

Some Key Actors

From a conflict perspective, the most important actors to mention include:

Economically and/or politically marginalized sectors of society. In general terms, the people who are most likely to express their frustration in violent outbursts and/or in conflict come from three broad sectors of society that are economically and/or politically marginalized: a) unemployed youth, particularly young men; b) veterans and ex-combatants; and c) the rural poor in general.

Disaffected Groups. Various groups exist in Timor-Leste who are disaffected from the government and the process of nation building (i.e., CPD-RDTL, Colimau 2000, Sagrada Familia and Osnaco)³². Mostly, these disaffected groups reflect unresolved political conflicts from the past. Overall, these groups have been mobilizing the economically and/or politically marginalized segments of society listed above in order to foment frustration and disgruntlement toward the government. In general, they have received significant press coverage. Their total support base is somewhere between 2,000-10,000 people. They tend to mobilize their followers around a range of possible issues, based on opportunity. Their tactics include spreading false information, rumors and innuendo against government. There are also repeated allegations of their involvement in petty crime and extortion. CPD-RDTL is the best organized and structured of the various disaffected groups, and has shown an ability to communicate its message very effectively through the media. As mentioned earlier, addressing the challenges of poverty, unemployment and limited access to basic services – even minimally – dramatically undercuts the potential of these groups to mobilize the vulnerable segments of T-L society who are most prone to cause conflict or destabilize the political regime.

Martial arts clubs. These clubs represent a very significant formal institution in the country regarding the activities of young males, and it seems clear that they are used by individuals/elites to mobilize young males to initiate or participate in violent confrontations and outbursts. There are twelve different martial arts groups in country, the largest has 20,000 members and its numbers are increasing quite quickly.

³² Annex C provides a description of each of these disgruntled groups, highlighting some of their differences and similarities.

Individual/elites vying for power or with historical grudges. Political rivalries and historical grudges exist between a number of key individuals/elites, and these are a very important part of many conflicts that take place in the country. Often, individuals/elites are behind the scenes coordinating how conflicts are played out.

Security Forces Should be Able to Manage Conflict in the Country, Albeit Imperfectly

The T-L security forces are weak, inexperienced and poorly trained. Inevitably, the forces will mishandle situations in ways that will make some conflict situations worse. That said, the security forces should be able to handle the conflict situations they will face - albeit imperfectly - such that widespread destabilizing conflict and localized outburst/conflicts will eventually be brought under control.

Concerns Regarding the Security Forces

Tensions exist between the two security forces, although the country should be capable of addressing this situation adequately. The police represent an issue of particular concern because they are involved in the daily lives of more Timorese, and their reputation for heavy handedness seems to be growing. There is also concern that the police could be subject to political manipulation. A plan to equip the new Special Police Unit with heavy arms is an issue of particular concern, especially within the international community.

The Formal Justice System is Not Functioning Properly

The formal justice system is not functioning properly yet.³³ This is a significant concern from a conflict perspective because the justice system represents one of the key institutional mechanisms for handling disputes and concerns that can lead to significant conflict. That said, informal justice systems are operating in much of the country and are being used to manage the majority of the civil disputes in the country as well as certain criminal matters. While the informal systems are playing an important role at this time, linkages are needed between the informal and formal systems to ensure checks and balances are in place and a higher standard of legal due process is available.

The Most Significant Windows of Vulnerability ('Trigger Events')

The two most significant potential windows of vulnerability – or ‘trigger events’ - regarding widespread destabilizing conflict in the country include: a) the withdrawal of the UN, especially the UN Peacekeepers; and b) situations of police mishandling and/or heavy handedness. As mentioned, however, widespread destabilizing conflict is unlikely.

The Border Zone is Important From a Conflict Perspective

From a conflict perspective, border zones are always areas of particular concern and this is true in the case of T-L. Section 2.6.1 details the scenario of border incursions by militia members from West Timor and concludes that there is a high risk of this scenario causing limited localized conflict, but a low risk of it leading to significant widespread destabilizing conflict. That said, there are links that are allegedly being established in West Timor between militia leaders, political candidates, organized crime and ex-TNI; this clearly means that a degree of ongoing vigilance regarding this matter is required. The possibility of militia incursions will increase

³³ The challenges facing the formal justice system are described in detail in the Democracy and Governance Assessment of Timor-Leste.

when UN withdraws from T-L, although the country's security forces should be able to handle any border incursions that may occur. Other important issues that should be mentioned in regard to the border zone include: a) localized black market activity is on the rise (mostly foodstuff, drinks, cigarettes, cooking gas); b) illegal crossings are taking place mostly for family purposes and local economic exchanges; and c) high import taxes on locally consumed goods are encouraging black market activities in the area.

4. RECOMMENDATIONS

The CVA has shown that future conflict in T-L potentially involves a range of possible issues and actors that potentially interact in various ways. Accordingly, a series of cross-sectoral recommendations are proposed targeting distinct ‘layers’ of causality that are evident in the conflict scenarios. Many of these recommendations flow from the programmatic comments that appear at the end of each Conflict Scenario in Section 2.6.

The recommendations are broken into two parts. Firstly, a general strategic approach is proposed that focuses heavily on the ‘way’ that development should be done in order to prevent and mitigate conflict whenever possible. Secondly, a series of programmatic recommendations are provided regarding Economic Growth (‘EG’), Democracy and Governance (‘DG’) and Health related activities. Specific recommendations are highlighted in gray.

4.1 General Strategic Approach

There are two major recommendations to the general strategic approach proposed.

Apply a Dialogue Building and Conflict Prevention Approach as a Cross-Cutting Theme

In many ways the most important recommendation coming out of the CVA is that a conflict prevention and mitigation approach should be used whenever feasible in the course of regular development activities. This was emphasized by President Xanana Gusmão on one of our first days in country and was re-emphasized to us throughout our three weeks of data collection. Conflict can be prevented and mitigated through good process that builds effective dialogue bringing people together to design and/or implement development activities. As it stands, the NDI Civic Forum and CRS’s Engaging Civil Society Project explicitly use elements of this kind of approach in their work. This should be continued and applied in all other programs where feasible. Some key characteristics of this kind of dialogue building (or conflict prevention and mitigation) approach include:

- Using participatory processes that include all key actors whenever possible.
- Including people as early as possible in the planning process of activities to ensure their needs are effectively met. At the same time, this ensures a strong sense of local ownership is generated regarding programmatic activities. This kind of approach applies to the Executive, the President’s Office, the Judiciary and Parliament as well as to local community counterparts.
- Using ‘third party’ facilitators (or mediators) whenever relevant. These individuals must be seen as legitimate and credible in the eyes of all parties involved.

- Allowing sufficient time to ensure that the processes move forward at a pace suited to Timorese culture and Timorese reality.
- Sharing information whenever feasible.
- Using consensus based decision-making techniques when feasible (i.e., allowing people to talk things through until they agree, rather than imposing decisions on them).

Prioritize Districts Most Vulnerable To Conflict Because of their Economic Situation

A second important aspect of the general strategic approach is that districts whose economic situation makes them vulnerable to conflict should be given a degree of priority in terms of programmatic activities. This is important because we have seen that addressing the underlying issues that drive community frustrations (i.e., poverty, unemployment, limited access to government services) – even minimally – can decrease the community’s (or district’s) vulnerability to conflict. This does not mean these districts should receive exclusive priority at the expense of other districts. The districts that are most vulnerable in this way, are those located along the border with West Timor (i.e., Oecussi, Covalima, Bobonaro and Ermera). Of these, Oecussi warrants a degree of extra attention because it is more marginalized than any other district in the country.

4.2 Programmatic Recommendations

Specific recommendations are presented under headings related to Economic Growth, Democracy and Governance and Health-related activities.

4.2.1 Economic Growth

Prioritize Subsistence Production and Food Security by Increasing Productivity

Much of the underlying potential for conflict in T-L relates to the vulnerability of the rural poor to being mobilized and manipulated politically. The hardships of poverty and limited food security at the local level are very prevalent in the country and can be partly addressed by prioritizing an increase in productivity of subsistence agriculture through new skills and the adoption of sustainable agricultural practices. These skills could be addressed through the kind of vocational skills training recommended below. Increasing market opportunities for domestic consumption, also recommended below, is relevant here as well.

Promote Financial Services for the Rural and Urban Poor

Poverty and unemployment are central themes underlying the vulnerability of much of the population to being manipulated and mobilized to cause violence or get involved in politically destabilizing activities. Prioritizing financial services directed at the rural and urban poor through targeted microfinancing at the community level that includes but is not limited to micro-credit would represent a significant contribution. Some microfinance activity has already been supported through USAID’s Small Grants Program; this should be expanded upon and these kinds of activities could be developed further.

Prioritize Vocational Skills Training (and Link to Post-Training Activities)

Vocational or informal skills training are essential in T-L. The training, however, should be designed to support the graduates in their post-training activities whether this through self-employment, working as an employee or using the new skills to improve subsistence level food production. The Catholic Church has established successful training centers in the eastern part of the country but does not have a center in the west; perhaps a center in the West would be helpful. Working in conjunction with the Church or in some way building on the Church's experience to date could be a sensible approach.

Increase market opportunities for domestic consumption

The country's market for domestic consumption of locally grown agricultural products is largely untapped and should be developed as a means of generating productive economic activity. For example, there are currently areas that produce a surplus of rice and other areas with a demand for rice, but the two are not being effectively connected. Targeted activities could provide the information and related support required to improve the market linkages and the opportunities for domestic consumption.

Expand Export Crops (and Other Income Generating Agricultural Activities) Where Feasible, and Promote Sustainable Agricultural Practices

The NCBA/CCT project produces coffee as the number one export in the country. Clearly, any steps that can build on this success are appropriate. If feasible, coffee production should be increased and also, if feasible, this kind of work should be expanded into other products such as vanilla. Other income generating activities such as a cattle-fattening program should also be supported if they prove to be effective means of generating income. Whenever possible, sustainable agricultural practices should be adopted. The importance of this is very evident regarding coffee production at the moment because the principle shade tree used on coffee plantation land is heavily infected with a disease that makes it vulnerable to the possibility of wide-scale blow-down. If this were to occur, there could be significant economic impacts as well as the possibility of localized conflict associated with the loss of jobs.

Promote a 'Border Regime' Along the T-L and West Timor Border

Border zones are always areas of concern from a conflict perspective because they are often associated with black market trade and other illegal activities. This is clearly the case in TL and is a particular concern given that militia members are located across the border in West Timor. Mechanisms designed to better control border activities and promote cross-border cooperation with local communities and relevant security forces would be very helpful. An approach that promotes dialogue between local community leaders and security forces on both sides of the border would be very appropriate³⁴. For example, weekly traditional markets could be set up at all border crossings and a system of day passes could be used to facilitate local crossings for simple daily activities such as family visits. Related to border issues and black market trade, a review of the T-L import tax regime could be done to determine if lowering certain import taxes could diminish the black market significantly (i.e., on common goods such as food, drinks, cooking gas and cigarettes)

³⁴ On the T-L side, the security forces would include the Border Patrol Unit of the National Police, and the forces on the Indonesia side would include both TNI and POLRI.

Promote Development of Relevant Land Law and Policy, and Strengthening of Relevant Institutions/Capacities

Land and property law (and policy) should remain priority themes because their development is a precondition to any kind of sustainable economic activity in T-L. Current initiatives in this area should continue using the kind of approach taken by the Land Law Program, which works with and strengthens local institutions and capacities (both within government and civil society) as part of the program design. Clearly, land law is a crosscutting theme in T-L and can be effectively addressed within either an EG framework (i.e., as a precondition to economic growth) or a DG framework (i.e., as a rule of law issue).

4.2.2 Democracy and Governance

Building Dialogue Between Key Actors

As recommended in the 'General Strategic Approach', dialogue building from a conflict prevention and mitigation perspective is seriously needed in T-L in regard to many areas of activity. This kind of approach can be applied to both project design and implementation activities and can also represent a goal in and of itself (i.e., building dialogue as an explicit objective to strengthen tense relationships between key actors). Critical areas highlighted during the CVA where this kind of dialogue building is needed include:

Security forces: Relations between the police and military are increasingly strained. Dialogue building activities could be directed at senior, mid, or lower levels within the security forces. At senior levels, one could imagine focusing attention on various issues such as: a) clarifying the respective roles and responsibilities of each security force, perhaps with the goal of feeding the results into a process of legislative development on this issue; or b) establishing clear mechanisms of communication and coordination between the two forces. At mid and lower levels, one could focus attention on a range possible themes depending on context and needs. It is worth mentioning that a more detailed assessment of the situation may indicate some points of possible interconnection with dialogue building activities that could take place in regard to martial arts clubs (see below); this is because some of the tension between the lower ranking members of the two forces exists between individuals who are also involved in martial arts clubs.

CPD-RDTL leadership and government: It is possible that tensions with CPD-RDTL could be dramatically improved if successful high-level dialogue could take place between the leadership of this group and the heads of government (including the Prime Minister, the Speaker of Parliament and the President).³⁵ Attempts at national dialogue with CPD-RDTL's leadership have been made but, so far, they have not been particularly successful. It seems as though part of the reason for the lack of success is because the attempts at dialogue have not allowed sufficient preliminary preparation time to lay the necessary groundwork *prior* to bringing the parties together for their dialogue.³⁶

³⁵ That said, one could not automatically assume that CPD-RDTL's leadership (or any party for that matter) necessary wants to participate in a process of constructive dialogue. It is possible that the issues in dispute are so deeply rooted in fundamental values that their sense of identity and self would be compromised through participating.

³⁶ In complex multi-party conflicts involving relationships with established tensions that go back in time, it is often necessary for each side in the conflict to go through a process of 'internal dialogue' prior to initiating dialogue with

Martial arts clubs: There are twelve martial arts clubs in T-L that are being used and manipulated from time to time to mobilize their membership (i.e., young men) to cause troubles and/or violence. A process of national dialogue aimed at developing some kind of national martial arts association along with a constitution of sorts that would contain code of ethical conduct could go a long way to bringing these groups together into a more constructive kind of relationship. The involvement of people such as the Bishops of the Catholic Church, President Xanana Gusmão, the Prime Minister's office, the Minister of Foreign Affairs and Cooperation, and the Ministry of Education, Culture, Youth and Sport could provide the weighty credibility to make this kind of initiative a success. As mentioned above regarding dialogue between the two security forces, certain issues related to tensions between the martial arts clubs may interconnect with tensions that have existed between the lower level cadets between the two security forces; this may warrant some attention.

Justice sector: As described in the recommendations of the Democracy and Governance Assessment, the first step working to support the justice sector likely requires building relations between the judges, the Government (especially the Ministry of Justice), the Prosecutors and the Public Defenders. As an initial step, for example, these actors could be brought together to create a shared agenda of activities related to development and support of the justice sector. As part of this 'justice agenda', they could begin to address issues such as: a) defining the kinds of justice support initiatives that are needed; or b) clarifying their respective roles and responsibilities in regard to the justice sector (including any related management and administrative issues).

Political parties: Dialogue building activities related to political parties could be a useful area of activity. For example, dialogue could have a place internally, within the FRETILIN party. Of course, this kind of support can only be provided on the request of the party, and would require a careful analysis of the situation and the key actors involved to determine whether or not the preconditions for this kind of support exists.

President's Program of National Dialogue: The national dialogue initiatives coordinated by the Office of the President (described in Section 2.3.1³⁷) warrant ongoing support, as would any appropriate follow-on activities. These represent very important processes initiated at the highest level and steeped in credibility. Not supporting these would run the risk of missing opportunities of significant potential impact.

Support Establishment of a Government Information Office

As already planned, support for establishment of a government information office should definitely proceed. This is a critical initiative that will have significant impact in improving government communication to the people of T-L. As it stands, the destabilizing groups

the 'other sides'. In other words, each side must first clarify it's own needs, interests and objectives in order to be properly prepared for dialogue with the other parties. In these kinds of conflicts, some parties also need to develop certain key skills in order to ensure the dialogue with the other party will be successful (i.e., active listening skills, an ability to address historical events without falling into mutual accusations, etc.). This technique of using processes of 'internal dialogue' prior to initiating dialogue with the 'other side' is likely application to various types of conflicts and actors in T-L.

³⁷ Under the heading 'The President and his Office'.

manipulate the lack of access to government information, by circulating rumors, innuendo and misinformation.

Support Potential Conflict Mediators and Facilitators of Dialogue

Given that dialogue building is urgently needed in various areas in T-L, support should be directed to strengthen the capacities of relevant individuals and institutions. It should be highlighted that the skills of a good facilitator who can build dialogue overlap significantly with the skills of a good mediator and, in fact, many of the same techniques are used in each area of activity. A more careful assessment of the current capacity level of key organizations and institutions would be helpful in designing an appropriate capacity strengthening initiative in these areas. At this point, it is clear that the Catholic Church, legal aid groups such as Hak Association, the Land and Property Directorate within the MOJ, and NGOs such as Catholic Relief Services have all been involved in these kinds of activities. Building on the Timorese experience in this area would be the appropriate way to proceed.

Support Ongoing Initiatives Regarding Veterans and Ex-Combatants, and Consider Initiatives Regarding the Clandestine Movement

Given the success to date in addressing the concerns and expectations of veterans and ex-combatants and thereby reducing the vulnerability of these groups to being manipulated and mobilized to cause conflict³⁸, it is important to provide whatever ongoing support is required to ensure this work can be completed. It may also be appropriate to support similar initiatives aimed at civilian members of the clandestine movement, because this group could become a potential source of conflict in the near future.

Strengthen the Justice System and Forge Links Between the Formal and Informal Systems

Support for the justice system is clearly a top priority issue in T-L and the recommendations in the Democracy and Governance Assessment go into detail about this. In supporting the formal justice system, however, attention should be paid to the creation of effective and appropriate linkages between this and the informal justice systems. The informal systems manage the great majority of the disputes in T-L and this is likely to remain the case for the foreseeable future. Models such as those proposed by the Timor-Leste Land Law Program (i.e., linking community land mediation mechanisms to the formal justice system) warrant consideration for their potential relevance to other areas of the law.

Support Local Governance

As it stands, there are no formal linkages between sub-national government in T-L and the central State. As a result, there is a vacuum of sorts whereby local issues are not communicated directly to the State apparatus. Upcoming Suco (village) level elections may provide new mechanisms whereby effective democratically elected local governance could be linked to the central State. Although the details of how this will work are still unclear, the importance of this issue will likely warrant support.

³⁸ This has been a multi-donor initiative.

Consider Support of Effective Civilian Oversight of the Security Forces

The security forces, especially the National Police, are in need of effective oversight. Support to initiatives that build the civil society's ability to monitor oversight of the two security forces could be very useful.³⁹

4.2.3 Health

Support Provision of Basic Health Services

Health is one of various primary services where improvement is urgently needed in TL. Support for this sector would be very useful from a conflict perspective prevention because, as we have seen, the provision of basic services to the population will go a long way in addressing the underlying frustrations that – if left unaddressed - can be expressed through violence and conflict.

³⁹ Of course, this must be considered in the context that that AusAid/DFID have dedicated \$40 million dollars (Australian) to policing issues.

ANNEX A: REFERENCES

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ANNEX B: PEOPLE INTERVIEWED

The following list is organized alphabetically, by organization.

NAME	TITLE	ORGANIZATION
Phillip Antweiler	Consul General	American Consulate General in Surabaya, Indonesia
Tyler Allen	Political Officer	American Embassy in Timor-Leste
Grover Joseph Rees	Ambassador	American Embassy in Timor-Leste
Ryan P. Roberge	Staff Associate	ARD Land Law Program
Edwin Urresta	Chief of Party	ARD/USAID Land Law Program
Rod Nixon	Coordinator of Field Research	ARD/USAID Land Law Program
Cynthia Burton	Counselor, Timor-Leste	AusAID, Government of Australia
Ludo Korbafo	Local Office Director in Oecussi	CARE
Bishop Basilio	Bishop of Baucau Diocese and Acting Bishop of Dili Diocese	Catholic Church
Manuel Augusto dos Santos	Veteran and Church Coordinator in Baucau or Laga	Catholic Church
Father Cyrus	Priest in Bobonaro or Covalima	Catholic Church
Father Vincent	Priest, Oecussi	Catholic Church
Deng Gigiuento	Director, Timor-Leste	Catholic Relief Services (CRS)
Jacob Correia	Coordinator	Commission for Ex-Combatants
Isabel Gutteres	Commissioner	Commission for Reception, Truth and Reconciliation (CAVR)
David Boyce	Enterprise Development Advisor	Cooperative Café Timor / National Cooperative Business Association (CCT/NCBA)/USAID
Sean Mc Charty	Technical Adviser	Cooperative Café Timor / National Cooperative Business Association (CCT/NCBA)/USAID
Sam Filiaci	Director	Cooperative Café Timor / National Cooperative Business Association (CCT/NCBA)/USAID
John Hanawa	Member of Microenterprise Assessment Team	Deloitte Touche Tohmatsu, Emerging Markets Ltd.
Fernando Lasama	President	Democratic Party (PD)
Mariano Sabino	Member of Parliament	Democratic Party (PD)
Joao Cancio Freitas	Executive Director	Dili Institute of Technology
Karen Orenstein	Washington Coordinator	East Timor Action Network (ETAN)

NAME	TITLE	ORGANIZATION
Charlie Shiner	Founding Member	East Timor Action Network (ETAN), also with Lao Hamutuk
Constancio Pinto	Minister-Counselor	Embassy of the Democratic Republic of Timor-Leste in Washington, DC
Taur Matan Ruak	Brigadier General, Chief of Defense Force	FALINTIL – Defense Force of Timor-Leste
Victor Paeixao	Director in Oecussi	FFSO
Manuela Leong	Executive Director	Fokupers
Adalino Cau	Sub-District Coordinator, Passabe	Government of Timor-Leste
Abel Fatima	District Administrator in Covalima	Government of Timor-Leste
Xanana Gusmão	President of the Republic	Government of Timor-Leste
Mari Alkatiri	Prime Minister	Government of Timor-Leste
Rogério Lobato	Minister of Internal Affairs	Government of Timor-Leste
Isabel Ferreira	Adviser on Human Rights	Government of Timor-Leste
Jose Teixeira	Secretary of State for Investment & Tourism	Government of Timor-Leste
Ramos Horta	Minister of Foreign Affairs	Government of Timor-Leste
Mariano Lopes da Cruz	Inspector General	Government of Timor-Leste
Arcenio Banos	Secretary of State for Labor and Solidarity	Government of Timor-Leste
Jose Asa	Director of Labor, Secretary of State for Labor and Solidarity	Government of Timor-Leste
Bonifacio Magno Ferreira	Director of Veteran (Secretary of State for Labor and Solidarity)	Government of Timor-Leste
Ricardo da Costa Ribeiro	Advisor to the Prime Minister, National Service and Security of the State (Security and Intelligence Issues)	Government of Timor-Leste
Horacio da Silva	Senior officer, Direccão de Terras e Propiedades, Ministry of Justice	Government of Timor-Leste
Pedro de Sousa Xavier	Director, Direccão de Terras e Propiedades, Ministry of Justice	Government of Timor-Leste
Francisco Banos	Deputy District Administrator, Oecussi	Government of Timor-Leste
Jose Luis Oliveira	Executive Director	Hak Association
Antonio Dos Santos	Camp Coordinator	Haliwen Refugee Camp
Names not recorded	Refugees	Haliwen Refugee Camp

NAME	TITLE	ORGANIZATION
Maria Lourdes Suplido	Program Manager, Timor-Leste	International Catholic Migration Commission (ICMC)
Joao Bernardo	Director in Oecussi	International Organization for Migration (IOM)
Deborah J. White	Resident Program Director	International Republican Institute (IRI)
Richard Smotkin	Resident Program Officer	International Republican Institute (IRI)
Joachim Lopez	Mayor of Atambua	Mayor's Office
Jose Goncalves	Adviser on Investment to the Government of Timor-Leste	Nathans Associates/USAID
James Cawley	International Programs	National Cooperative Business Association (NCBA)
Thabisile Mngadi	Country Director	National Democratic Institute for International Affairs (NDI)
Paulo de Fatima Martins	Police High Commissioner / National Director,	National Police of Timor-Leste (PNTL)
Name not documented	District Coordinator	National Police of Timor-Leste (PNTL)
Saturlino Dias	Chief/Commander BPU in Bobonaro or Covalima	National Police of Timor-Leste (PNTL)
Frederico Leo	Chief/Commander BPU in Bobonaro or Covalima	National Police of Timor-Leste (PNTL)
Miguel Pimentel	Chief/Commander BPU in Bobonaro or Covalima	National Police of Timor-Leste (PNTL)
Mario Moniz de Jesus	District Commander in Bobonaro or Covalima	National Police of Timor-Leste (PNTL)
Belarmino da Rosa	Deputy Commander in Oecussi	National Police of Timor-Leste (PNTL)
Jaimito Hei	Commander in Oecussi	National Police of Timor-Leste, Border Patrol Unit (PNTL-BPU)
B.K.A. Neno	Commander in Passabe	National Police of Timor-Leste, Border Patrol Unit (PNTL-BPU)
Eladio Faculto (and 5 other members)	Coordinator	OJETIL
Djoni Ferdiwijaya	Program Manager	Oxfam West Timor
Agus Nugroho	Chief of Police in Atambua	POLRI
Antonio Aitahan Matak	International Liaison Officer	Popular Council for the Defense of the Democratic Republic of Timor-Leste (CPD-RDTL)
Thomas Pinto	District Coordinator in Lospalos	Popular Council for the Defense of the Democratic Republic of Timor-Leste (CPD-RDTL)

NAME	TITLE	ORGANIZATION
Domingos dos Santos	Veteran in Lospalos	Popular Council for the Defense of the Democratic Republic of Timor-Leste (CPD-RDTL)
Bendito Freitas	National Coordinator	PSHT (Martial Arts Club)
Elizio Locateli	Priest in Baucau or Laga	SDB
Dionisio Babo Soares	Deputy Director in Timor-Leste	The Asia Foundation
Joao M. Saldanha	Executive Director	Timor Institute of Development Studies (formerly East Timor Study Group)
Rebecca Engel	Staff	Timor-Leste Project, Columbia University
Luis da Costa Ximenes	Staff	Timor-Leste Project, Columbia University
Brian Hanley	Staff	Timor-Leste Project, Columbia University
W. Gary Grey	Chief, Political Affairs	United Nations Mission in East Timor (UNMISET)
Ray Murray	Adviser to the Minister of Internal Affairs on Donor Coordination	United Nations Mission in East Timor (UNMISET)
Valentin Ximenes	Head of Political Science Department	Universidade Nacional de Timor Lorosae (UNTL)
Miguel Maia	Acting Director	Universidade Nacional de Timor Lorosae (UNTL)
Jim Roberts	Advisor in Timor-Leste	US Department of Justice, ICITAP
Kelly Cullen	Safety and Security Officer from Fiji	US Peace Corps
Michael Wilburn	Program Advisor, Timor-Leste	US Peace Corps
Michael Field	Business Development Services Advisor, Microenterprise Development Team	USAID
Evelyn Stark	Team Leader, Microenterprise Assessment in Timor-Leste	USAID
Sahana Dharmapuri	IWID Fellow, Women's Legal Rights Advisor, Gender Specialist, Office of WID	USAID
Mary Melnyk	Senior Advisor, Natural Resources Management, ANE Bureau	USAID
Karma Lively	Regional Team Leader, ANE, OTI	USAID
Chris O'Donnell	Program Support Officer, OTI	USAID

NAME	TITLE	ORGANIZATION
Angela Rodríguez Lopes da Cruz	Economic Growth Program Management Specialist, Timor-Leste	USAID
Candido da Conceicao	Economic Growth Program Management Specialist, Timor-Leste	USAID
Isabel Ximenes	Program Officer, Timor-Leste	USAID
Kimberly Jones	Program Officer, Economic Growth, Timor-Leste	USAID
Adrian Fozzard		World Bank
Kaspar Richter	Economist, East Asia Poverty Reduction and Economic Management	World Bank
Elisabeth Huybens	Country Manager, Timor-Leste	World Bank
Antonio da Silva	Veteran in Baucau or Laga	Z

ANNEX C: DESCRIPTIONS OF KEY DISAFFECTED GROUPS

Various groups have been formed in Timor-Leste that are disaffected from the government and the process of nation building. Mostly, these groups reflect unresolved political conflicts from the past. As described in the main body of the CVA, these groups have been mobilizing parts of the population to foment frustration and discontent. Although this is not a comprehensive analysis or description of these groups, each of the key groups are described and some points of commonality and difference are highlighted.

CPD-RDTL (Council for the Defense of the Democratic Republic of Timor-Leste)

This is the best organized and structured of the various disaffected groups, and has shown an ability to communicate its message effectively through the media. CPD-RDTL was formed in 1999 to promote the view that Timor-Leste has been independent since the original proclamation of independence by FRETILIN in 1975 and, accordingly, the country should adopt the substance and symbols of independence from that time (i.e., the Constitution, name of the Republic, flag, national anthem). Flowing from this point of view, the group rejected the legitimacy of UNTAET, boycotted the Constituent Assembly elections, rejects the legitimacy of the T-L government, refuses to register as a political party and claims itself to be the real 'FRETILIN'.

CPD-RDTL has emerged from a group of people who split off from the main Timorese resistance movement in the 1980's as a result of conflict related to the restructuring of the movement at that time. Grounded in this history, CPD-RDTL's relations with FRETILIN (and formerly with CNRT) have been marked by conflict and violence.

At present, CPD-RDTL sees itself as an extra parliamentary body whose objective is to raise political consciousness about the country's political history. In addition to the points already mentioned, this group opposes Portuguese as an official language and believes the current government is unrepresentative because it is drawn from FRETILIN leaders who lived in exile during the 24-years of Indonesian occupation. The group is generally criticized as being short on ideology and high on nuisance value, but it has a significant following. The organization is alleged to have around 6,600 supporters and has links to many of the dissident FALINTIL veterans' groups and youth organizations, including the group named Sagrada Familia (see below). Baucau and Dili are geographic strongholds, although it seems to have a presence in some other districts as well. The group is usually suspected as agitators whenever demonstrations turn violent, although this may not always be the case. Further conflict between this group and FRETILIN is probable and, as long as FRETILIN is the government, this translates into conflict with government.

Colimau 2000

This is a small sect with animist beliefs that is estimated to have a few hundred supporters and whose members claim to reject the authority of the government. Colimau was one of the clandestine groups that fought for East Timor's independence from Indonesia for decades. After it voted to break away in August 1999, Colimau 2000 members were not accommodated in government offices or the legislature. The group's followers believe fallen independence fighters will come alive again and return from the forests to lead them. The followers are poor, illiterate peasants from rural areas and some ex-guerrillas. Accusations have been made that the group has been involved in petty crime and extortion. The group's geographic base is near the border with West Timor, in districts such as Ermera and Bobonaro. Due to its proximity to the border, the group is believed to have some following in the refugee camps in Indonesia. There have also been allegations about the group having contact with militia leaders in West Timor in order to plan a strategy to destabilize after the UN peacekeepers leave; at least one source of this accusation is the Indonesian military commander in West Timor. The group was involved in a controversy in 2003 when the defense forces assumed the role of a police force and arrested their members in large numbers without going through the due process of law.

Sagrada Familia

A quasi-religious group that is disciplined by a mixture of Catholicism and animist beliefs, and led by its founder, an ex-FALINTIL commander named Cornelio Gama (more commonly known as 'L7'). Founded around 1989, the group originally played a role in combating Indonesian propaganda against the resistance. The group's political objectives are not perfectly clear, but L7 is a well-known former resistance leader who rejects the government's legitimacy and has said that a new civil war is possible. The group has some kind of affiliation with CPD-RDTL. The group is also alleged to be involved in petty crime and extortion. The group finds its support among ex-combatants and unemployed youth. Sagrada Familia is based in certain sub-districts of Baucau and Lospalos.

Osnaco

During the CVA, we collected relatively little information about this group although this should not be interpreted to suggest anything about its relative significance. Osnaco is estimated to have a couple thousand supporters and is believed to have affiliations with Colimau 2000. This group draws its support base from unemployed youth and ex-combatants.